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AESTHETIC CHANNEL

Make your medspa profitable

By Lisette Hilton

Apr 9, 2018

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Physicians and managers who run cosmetic procedure practices might think launching a medspa is a seamless extension of the existing practice.

That's not the case, says Bryan Durocher, of Durocher Enterprises, which provides coaching, consulting and more for med spas worldwide. Mr. Durocher

“If you run a medspa like a doctor’s office, you’re going to fail. You have to run it like a retail business,” says Durocher, who spoke on team compensation and pay by performance at this year’s American Med Spa Association (AmSpa) show in Las Vegas.



The same goes for physician practices that venture into traditional spa services, which Durocher calls a trend.

“Right now, we’re seeing physicians are taking over the spa world, as well — not just medical aesthetics. You’ll see a practice offering lasers, Botox, fillers, IV therapy, bioidentical hormone replacement, but then they’re also going to have facials, body treatments, massage,” he says.

The appeal of owning a cash-based business in a world of dwindling reimbursements and growing regulations is obvious. But it’s what physicians don’t know about owning a medspa or spa that can get them in trouble.

For example, medspa employers cannot pay providers commissions for services. That’s illegal in every state and is considered fee splitting, according to Durocher.

“You can pay a commission on a product sold, but not on services. Providers have to be paid a wage,” he says.

And medspas cannot have a reward referral program for referring new patients. But a traditional spa can, according to Durocher.

“That, again, is fee splitting,” he says.

A medspa manager who notices a patient has referred several friends and offers an unsolicited product or service as a thank you isn’t breaking any rules. But a defined program where the medspa solicits referrals for, let’s say \$100 off the person’s next Botox treatment, that’s a no-no, he says.

The aesthetician in a traditional spa, on the other hand, can have a spa referral program, if it’s spa related and only dealing with spa clients, he says.

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Spa Sales Goals

The physician owner and his or her staff really have to shift their thinking when it comes to how best to compensate providers and staff in the spa facility.

“Medical providers are used to being paid a salary and getting benefits. What they’re not used to being held accountable to productivity goals,” Durocher says.

Durocher has mapped out four specific areas in which spa staff need to be accountable in meeting set sales goals: service packages, retail dollars, retention and pre-booking. These, he says, have been demonstrated to work in the beauty industry and others.

Before starting these programs, however, practices have to be set up with computerized spreadsheets and software so they can easily monitor these areas. They’ll also have to train staff in how to meet their goals.

1. Service Packages

It’s key to sell medspa services in packages when possible. Why? Cash flow, Durocher says.

“I sell a series and collect the money upfront. That’s good for me and good for my business. You as a patient are more likely to come back on a regular basis to maintain your services because you paid for them. Then, with all your subsequent visits, you’re going to spend more money because you’re not paying for that service (you’ve already paid),” he says.

2. Retail Dollars

While physicians in a medical practice might be hesitant to sell products, people who work in a medspa or spa have to sell products because the real margins are in retail, Durocher says.

“If I look at a new facility, I allow 20% of the square footage for building a retail store,” he says.

Owners and managers track sales as a percentage of retail service dollars. So, if in a pay period, an aesthetician sold \$10,000 in services and \$2000 in retail sales, his or her retail service dollar would be 20% of retail sales service.

“It’s very important that we’re recommending retail because retail is a tool for retention. If a patient leaves the practice with two products that they purchased, they are 40% more likely to come back and to see you than if they left with nothing at all,” Durocher says.

And clients want products that help them maintain their beauty.

“I guarantee if a patient is spending \$3000.00 on a service plan, [he or she will] spend \$700 on skincare to make sure to maintain that service plan,” he says.

3. Retention Goals

It’s not how many patients a medspa gets, but how many it keeps, Durocher says.

“Let’s say you’re new to my practice, and I have two providers. One has 40% retention; another has 80% retention. Who am I going to give the patients? The person who is twice as likely to keep them,” Durocher says. “If the 40% person doesn’t like that, I would say to work on those retention skills, and when she brings up that number, I’ll be delighted to give the new patients at the same level.”

Durocher sets the staff goal for his medspa clients at 120 days, where at least a certain percentage of patients would request to return within 120 days of their last visits.

4. Pre-booking

It's important to track and hold staff accountable for pre-booking because it helps to put the provider in control of his or her schedule, generates future business and creates consistency and stability within the medspa.

“The magic number for pre-booking is we want to get at least 75% of our patients on the books for their next appointment before they leave, so we can forecast our numbers,” Durocher says.

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Weeding Out Non-Performers

Implementing these goals will help to weed out staff who don't contribute to the business' bottom line.

"There are three kinds of people who work for you. There are super producers — the top 20%. ...these 20% will usually generate 80% of the revenue in a medical spa. You have people in the middle. They're good, but you'd like them to do a little more. Then, you have the bottom 20%. I call them cave dwellers," Durocher says.

Many owners and managers spend all their time with the cave dwellers, begging them to do the minimum.

"The good news is when you have a compensation program like this and you're interviewing people, people who do not want to be held accountable won't want to work for you, which is great," he says.

Durocher sells the program to would-be staff by promising to arm them with the tools they need to be successful. For those that are up to the task, Durocher has four levels of pay structure: silver, gold, platinum and diamond, with different hourly wage associated with each.

Accountability to compensation goals does not only apply to providers. All staff, from the front desk concierge to practice manager, are accountable and can earn more money related to the goals.

“You have to choose software that tracks these things because this is a retail business,” Durocher says. “The wrong compensation program is the number one reason why a medical-aesthetic practice is not profitable.”

Durocher recommends that a medspa’s total compensation in comparison to service dollars should be no more than 35%, where the total payroll burden from the spa would not exceed that percentage.

In essence, an RN that is paid \$75,000 a year in the medspa would need to generate at least \$300,000 a year in services and products to be profitable, according to Durocher.

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